that is why this matter came before us today, in an effort to keep out of the amendment process on the Ed-Flex bill, important amendments, which a number of our colleagues wish to offer. But the Senator and I share a common view that the regulations went too far, and we have expressed that opinion.

I think the initial proposals the Senator from Colorado made went too far in the other direction—and were overly broad. I think this proposal has been narrowed down, but I think it still contains within it one remaining problem, which I indicated, and that is whether it precludes any opportunity to do something that would be more effective on the money laundering issue, without creating any of the privacy problems or the overregulation problems that both of us and others have perceived as being contained in the proposed regulations.

Mr. President, I yield the floor.

EXHIBIT NO. 1

U.S. SENATE,
Washington, DC, January 12, 1999.

Hon. DONNA TANOUE,
Chairman, Federal Deposit Insurance Corporation, Washington, DC.

DEAR CHAIRMAN TANOUE: On Monday, December 7, 1998, the Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve, Office of the Comptroller of the Currency and Office of Thrift Supervision, each published in the Federal Register and solicited public comment on proposed regulations requiring insured depository institutions to develop ''Know Your Customer'' programs. The regulations are intended to enable financial institutions to protect themselves from engaging in transactions designed to facilitate illicit activities and ensure compliance with suspicious activity reporting.

The proposed regulations would require depository institutions to amass a large amount of data about customers and to monitor and analyze customers financial behavior. Institutions would be required to determine: a customers' sources of funds for transactions; ''the particular customer's normal and expected transactions involving the bank''; and transactions ''that are inconsistent with normal and expected transaction for that particular customer or for customers in the same or similar categories or classes;'' and to report suspicious transactions.

I support implementing focused and effective methods to prevent money laundering and to promote law enforcement purposes, but am concerned that these proposed regulations have unintended negative consequences.

The scope of the proposed regulations allows for intrusion into the personal privacy of bank customers by profiling details of customers' lives, activities beyond what may be necessary for the stated regulatory purposes. The proposed regulations also could subject many low- and middle-class citizens who pose little threat of improper activities to such surveillance because there are no threshold limits. The proposed regulations have no minimum transaction size or account size, below which surveillance is not required.

While the proposed regulations would required banks to become huge repositories of personal financial data on their customers, there are no Federal limitations on the bank's use of the transaction data it collects. The bank can sell or share such data without a customer's knowledge or consent. This creates the very real possibility of large scale unwanted breaches of customers' personal financial privacy. Polls and newspaper articles have indicated that Americans are very concerned about their personal privacy, particularly their personal financial data. New business affiliations and technology advances are fueling consumer concerns about the mishandling of personal financial information.

It is evident that the proposed regulations have aroused widespread public concern. I hope that you will take these concerns into account as you proceed with the rulemaking process and develop policies to satisfy current law enforcement needs.

Sincerely,

PAUL S. SARBANES,
U.S. Senator.

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

(The remarks of Mr. KERREY pertaining to the introduction of S. 553 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

Mr. KERREY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. JEFFORDS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JEFFORDS. Mr. President, I believe we are now in morning business.

MORNING BUSINESS

The PRESIDING OFFICER. The hour of 12 noon having arrived, consideration of the bill is concluded and the Senate is in morning business.

The Senator from Vermont is recognized.

(The remarks of Mr. JEFFORDS pertaining to the introduction of S. 556 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

FEDERAL DEPOSIT INSURANCE CORPORATION'S ''KNOW YOUR CUSTOMER'' REGULATION

Mr. KERREY. Mr. President, I voted today in support of the Gramm amendment which supports my belief that the FDIC's ''Know Your Customer'' regulation should be withdrawn. This vote mirrors my earlier action where I had written to FDIC Chairwoman Tanoue asking her to withdrawal the regulation.

While I commend FDIC's effort to identify and crack down on illegal activity, I am deeply concerned the ''Know Your Customer'' regulation will threaten the financial privacy of Nebraska customers.

When federal regulators consider any regulation like ''Know Your Customer,'' the private relationship between customers and their financial institutions should be given the utmost consideration. I believe ''Know Your Own Customer'' would severely strain this relationship. Customers should feel confident that their financial transactions are done in confidence and not subject to uninvited searches. Bankers in Nebraska already report large cash transactions, violations of federal law and potential money laundering activity without invading the privacy of their customers. ''Know Your Customer'' would require financial officers to infringe on their customers' privacy, damaging public perception of the banking industry.

On behalf of the many Nebraskans, customers and bankers, who have relayed similar concerns with me, I am pleased the United States Senate has taken this action. In the meantime, I will remain committed to see that FDIC withdraws the ''Know Your Customer'' regulation.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Williams, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–2051. A communication from the Senior Deputy Assistant Administrator, Bureau for Legislative and Public Affairs, U.S. Agency for International Development, transmitting, pursuant to law, the Agency's report on economic conditions in Egypt for 1997 and 1998; to the Committee on Foreign Relations.

EC–2052. A communication from the Secretary of Health and Human Services, transmitting, pursuant to law, the annual report on the National Institutes of Health AIDS Research Loan Repayment Program for fiscal year 1998; to the Committee on Health, Education, Labor, and Pensions.

EC–2053. A communication from the General Counsel of the Corporation for National Service, transmitting, pursuant to law, the report of a rule entitled ''Claims Collection'' (RIN3045–AA21) received on February 2, 1999; to the Committee on Health, Education, Labor, and Pensions.

EC–2054. A communication from the Federal Register Liaison Officer, Office of Thrift